BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Continue Implementation and Administration of California Renewables Portfolio Standard Program.	Rulemaking 11-05-005 (Filed May 5, 2011)

THE DIVISION OF RATEPAYER ADVOCATES' COMMENTS ON ENERGY DIVISION'S RENEWABLE NET SHORT STAFF PROPOSAL

Diana L. Lee

Attorney for the Division of Ratepayer Advocates

California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Phone: (415) 703-4342
Email: diana.lee@cpuc.ca.gov

Nika Rogers

Analyst for the Division of Ratepayer Advocates

California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Phone: (415) 703-1529
Email: nika.rogers@cpuc.ca.gov

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I. INTRODUCTION

Pursuant to the July 11, 2012 Administrative Law Judge's Ruling (1) Issuing Staff Proposal on Renewable Net Short Calculation (2) Entering Staff Proposal Into the Record and (3) Setting Date for Comments on Proposal, (Ruling), the Division of Ratepayer Advocates (DRA) respectfully submits the following comments on the Energy Division's Renewable Net Short (RNS) Staff Proposal. DRA organizes its response to follow the outline of the Staff Proposal.

II. METHOD 1: RNS TO INFORM RPS PROCUREMENT AUTHORIZATION

The Staff Proposal recommends including seven assumptions that the utilities should apply when calculating their Renewable Net Short (RNS) position. Of the seven assumptions, DRA supports and agrees with the Staff's Proposal to:

1. Include all projects that have executed contracts in the renewable net short calculation;
2. Require retail sellers to utilize the same methodology from the 2010 Long-Term Procurement Planning (LTPP) proceeding (R.10-05-006). Retail sellers should use their own forecasts for the first five years of planning and use the LTPP standardized planning assumptions thereafter;
3. Not assume any generation from contracts that are expiring; and
4. Assume any eligible excess procurement will be utilized in future compliance periods.

DRA does not support the assumptions requiring retail sellers to include both a voluntary margin of over procurement (assumption five of the Staff Proposal) *and* a risk-adjusted project success rate (assumption six of the Staff Proposal) in the calculation of the renewable net short. DRA's comments on the utilities' 2012 Renewables Portfolio Standard (RPS) Procurement Plans explained that the inclusion of both a voluntary margin of over procurement and risk adjusted success rate is redundant.[1] Including both a voluntary margin of over procurement and a risk-adjusted success rate that is anything less than zero advocates for a "belt and suspenders" approach to project failure among renewable projects in the pipeline. The results of this could be costly to ratepayers if a

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[1] The Division of Ratepayer Advocates' Comments on Renewables Portfolio Standard Plans, June 27, 2012, pp. 8, 10. *See e.g.* Public Utilities Code Section 399.13 (a)(4)(D).

utility decides to commit to more renewable generation than what is actually needed to account for its historical project failure rate. Because of this, the utilities should include either one or the other in their RNS calculation, as the inclusion of both assumptions could lead to false results. DRA agrees with San Diego Gas and Electric Company's comment in its pre-workshop comments that the minimum margin of procurement should be only be used with a nominal, non-risk adjusted forecast.[2] With DRA's recommendation, the annual RPS Risk-adjusted Net Short Calculation should be modified to omit the voluntary minimum margin of procurement from the equation:

Annual RPS Risk-adjusted Net Short = *(Bundled Retail Sales Forecast x RPS Procurement Quantity Requirement) – (Online Generation + Risk-adjusted Forecast Generation +* ~~*Voluntary Minimum Margin of Procurement*~~ *+ Pre-approved Generic Generation)*

III. TABLE 1: RNS FOR RPS PROCUREMENT

The purpose of including a rolling 20-year RNS forecast as part of the outputs is unclear. DRA has concerns that a 20-year outlook for renewable procurement is ambitious and may lead to inaccurate planning since assumptions are less likely to be accurate the further out they are projected. A 20-year RNS forecast would make sense if a legislative mandate increases the RPS target beyond 33% after 2020. Until that occurs, it is more reasonable to assume only a net RPS position first by compliance period and then yearly after 2020 as was proposed in the first draft of the Staff Proposal. A rolling 20-year outlook would be more appropriate for Method 2, which is it inform the LTPP and Transmission Planning Process, since the 20-year forecast was adopted in the Commission's 2012 LTPP standardized planning assumptions.

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[2] Pre-Workshop Comments of San Diego Gas and Electric Company Regarding Renewable Net Short Position Calculation.

Respectfully submitted,

/s/ DIANA L. LEE

Diana L. Lee
Staff Counsel

Attorney for the Division of Ratepayer Advocates
California Public Utilities Commission
505 Van Ness Ave.
San Francisco, CA 94102
Phone: (415) 703-4342
E-mail: diana.lee@cpuc.ca.gov

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<u>**VERIFICATION**</u>

I, Diana L Lee, am counsel of record for the Division of Ratepayer Advocates in proceeding **R.11-05-005**, and am authorized to make this verification on the organization's behalf. I have read the:

"THE DIVISION OF RATEPAYER ADVOCATES' COMMENTS ON ENERGY DIVISION'S RENEWABLE NET SHORT STAFF PROPOSAL"

filed on July 18, 2012, I am informed and believe, and on that ground allege, that the matters stated in this document are true.

I declare under penalty of perjury that the foregoing are true and correct.

Executed on **July 18, 2012** at San Francisco, California.

/s/ DIANA L. LEE

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Diana L. Lee
Staff Counsel